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MENTS: SLOWED BUT NOT HALTED 16
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V BUSINESS FEB/12 1988

ports Winter Inventory Levels

Strong, fall wholesale shipments and lackluster fourth-quarter retail sales appear to have left many RV dealers with higher winter inventories than last year, according to some manufacturers and dealers.

Yet the inventory picture remains unclear, as a host of RV dealers also are reporting inventories that are "about right" or "lower than last year."

Mac Bryan, vice president of marketing for RVIA, is one who believes that current inventories are higher than last year, citing late-1987 OEM shipments that steadily outpaced retail sales, especially in motorized equipment. "There are too many issues to be discussed to get to an accurate picture," added Bryan. "It varies so much

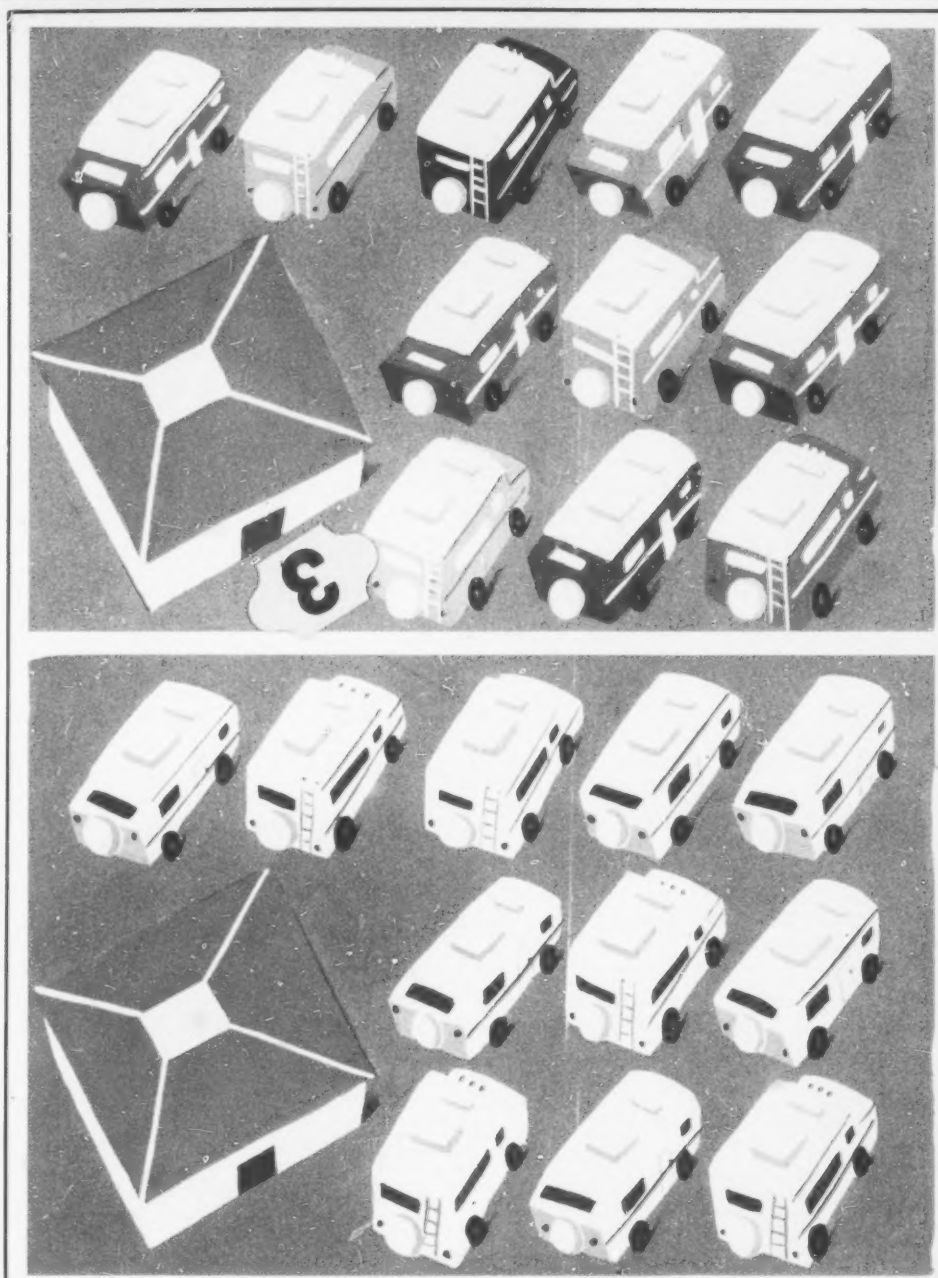
continued on page 8, and see related story on page 7.

Toyota Plans To Up Micro GVW, Power

Toyota Motor Sales USA Inc., Torrance, Calif., officials confirmed that the company is planning to boost the power and gross vehicle weight rating (gvwr) of its 1989 model micro-minimotorhome chassis. Micro manufacturers, however, are unsure of how much help the improvements will be to their depressed market.

Toyota officials, who declined to provide exact figures on the

continued on page 11



Single-line vs. Multi-line Dealerships: Dealers debate whether single-line lots are the wave of the future. Do single-line dealerships' efficiencies in marketing and service management outweigh the loss of a multi-line dealership's broader market?

FEB. 12, 1988 TWO DOLLARS

RV BUSINESS

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COVER ILLUSTRATION: RHONDA VOO

WAITING FOR THE OTHER SHOE TO DROP

MORTON J. MARCUS

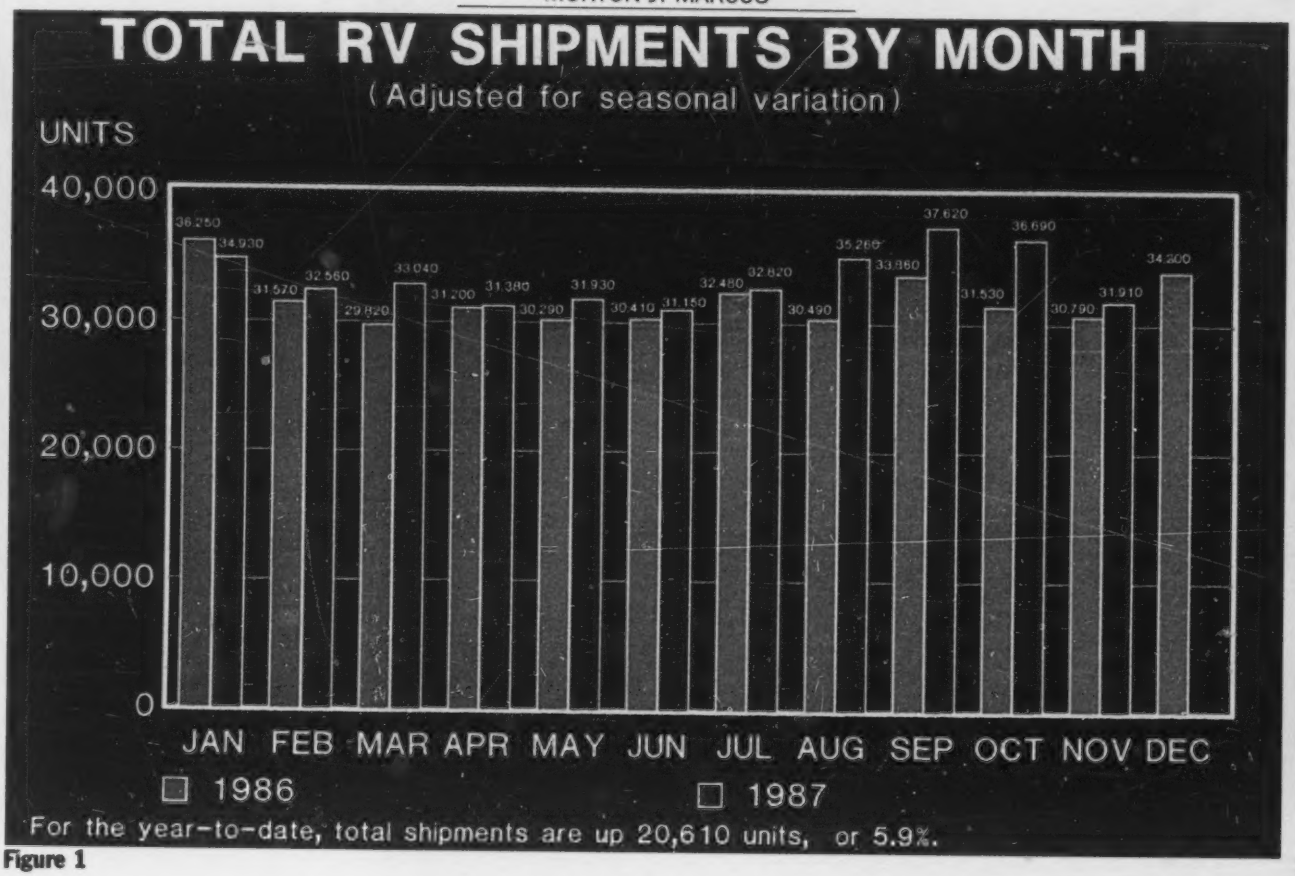

Figure 1

It happened all over the country during November 1987. A couple sat drinking coffee and discussing the purchase of a new refrigerator or a washing machine or an RV.

They had seen the evening TV newscast and read the newspapers for several weeks. The stories had been all about the crash on Wall Street, stories replete with speculation about the significance of this big event. They heard all about the huge wealth losses suffered by investors. They didn't have any big losses themselves, and they didn't even have any friends who had suffered, but they wondered what it might mean for them.

Each morning they awoke to news of stock market movements in places such as Tokyo, Sydney and Hong Kong. Their jobs were well-paid, but their fears were mounting. "Maybe we better wait," one said. And the other gave a nod of concurrence.

That scene was repeated in homes throughout the nation. Sometimes it was a washer; in other cases, it was a new or used car. Still others delayed looking at that RV which seemed so enticing just a few weeks ago. They would hold off until they could be more certain . . . more sure that the decline which took place in the American stock market during mid-October would not result in a recession—or worse.

After all, hadn't it been a major decline in the stock market in October of 1929 that led to the Great Depression (which they did not experience but which they had heard described by their parents or grandparents)? As responsible people, they would not take a chance that might place a heavy debt burden on them *if* one of them were to be laid off in the next few months.

So they did not buy an RV; they did not even go to look at the models in the showroom. Dealers in durable goods reported slower floor traffic on big-ticket items, even if sales did hold up pretty well. Some dealers were even interviewed on the local TV news shows, which showed them drinking a lonely cup of coffee in front of a long row of gleaming new products.

Seeing those reports, other dealers began to talk about acting in a "responsible fashion" by reducing orders. Manufacturers, who also watch television and read newspapers and drink coffee, speculated that maybe they, too, should begin to pull in their horns and act "responsibly."

Nothing had happened, but something was happening: responsible people were behaving with reasonable caution. in case something happened.

Slowed But Not Halted

In August, September and October of 1987, RV shipments had perked along at a 400,000 annual rate, with nearly 110,000 units shipped. In those three months of 1987, RV shipments were running 14.3% ahead of the same period in 1986, a pace well ahead of the preceding months in the year.

Given the national fright, one might expect that November RV shipments would have "hit the wall." But they did not!

RVIA SHIPMENTS

When the RVIA shipment data for November were adjusted for seasonal variation *(see Figure 1)*, they indicated that 31,900 units were shipped. Although this was a 13% decline from the preceding month, it must be put in perspective.

This percentage decline represented less than a 5% drop from the average of RV shipments for the preceding twelve months. In addition, the industry already had four of 10 months in the year with percentage changes in excess of 10%.

Other significant facts can be extracted from this data. For example, in November, for the 10th consecutive month, shipments exceeded the same month of a year earlier. Also, November 1987 shipments were nearly 4% *higher* than shipments for that month in 1986.

Finally, total shipments for the year were running more than 20,000 units, or nearly 6%, ahead of the 1986 shipment pace. This suggests another important point: Even if December comes in at the same "low" level as November, 1987 will still be a 400,000-unit year for the industry.

The Detailed View

Figure 2 shows just how different November was from last year as a whole.

Only two of the 11 model types tracked in these reports experienced higher shipments in November than in October. The spectacular gain of 60% by Class C micro-minis was actually a run-up of just 90 units. The 9% gain in fifth-wheels reflected a gain of about 220 units. All other model types declined.

The smallest declines for the month were in Class C minis (down just 4%) and truck campers (down about 8%). The remaining model types all had double-digit percentage decreases in the month. Hardest hit were Class B van campers, which were off by nearly 38%, or 345 units. The next biggest declines were registered by park models, folding camping trailers and van conversions.

Yet the results for 1987 through November showed gains for seven of the 11 model types. Class A motorhomes were the volume leaders in advances, with a gain of 7,400 units for the year, or a most respectable 24% improvement. Class B motorhomes shared that percentage gain, although the volume gain was lower at 1,400 units.

The big winner to date in 1987 was the truck camper, with an advance of more than 38% and a volume growth in excess of 2,600 units.

Conventional travel trailers and fifth-wheels both added more than 3,600 units for 1987. Class C minis were the only type among Class C's to gain.

The losers to date for 1987 were the low-profile and micro-mini Class C motorhomes, along with park models.

The decline of 0.2% (280 units) in van conversions was hardly worth noting, except that it was a decline in a growing RV market, which led to a drop in market share for van conversions from 48 to 45 share points *(see Figure 3)*.

The 2.7-point decline in van conversions as a share of the total RV market was to the credit of towables, which gained 1.7 points. Motorhomes picked up the remaining 1 point in market share.

What's Next?

As these words are being read, the facts about December shipments have already been recorded by the big campground in the sky. We just don't have the word from RVIA headquarters in northern Virginia yet.

1987 has closed. It would not shock us to learn that December matched November, or even came in a bit lower. The year ended with such a flurry of forecasts from financial analysts that even the most cheerful carnival fortune teller might complain of a clouded crystal ball.

As 1988 started up, political leaders assured us that all was well, a sure sign to the pessimistic that the world was about to end. During the Christmas-New Year's Bowl games, we all saw the advertisements from distinguished stock-brokerage houses, which told us that this was a good time to buy. (Did you ever see an ad telling you to sell?) The mood remained cautious, even though there was no bad news.

In such an environment, we suspect that responsible couples continued to sip coffee and postpone purchases. No doubt responsible dealers and manufacturers sat back and had an extra cup of coffee, too. Δ

MARKET SHARE BY TYPE OF UNIT

(Year-to-date, adjusted for seasonal variation)

	1987	1986
TOTAL RVs	100.0	100.0
Travel Trailers:		
Conventional	14.7	14.6
Park Models	1.7	2.1
Fifth-wheels	6.7	6.0
Folding Camping Trailers	10.2	9.5
Truck Campers	2.6	2.0
Motorhomes:		
Class A:	10.2	8.7
Class B Van Campers	1.9	1.6
Class C:		
Minis	5.1	5.2
Low Prolife	0.6	1.0
Micro-minis	0.9	1.2
Multi-use Van Conversions	45.5	48.2

Detail may not add to total because of rounding.

Figure 3

Morton J. Marcus is the director of the Indiana Business Research Center at Indiana University School of Business, where he is also a member of the faculty. Marcus specializes in using statistics to identify economic trends.

RV SHIPMENTS BY TYPE OF UNIT

(Adjusted for seasonal variation)

TYPE:	NOVEMBER 1987	PERCENT CHANGE FROM OCT.	YEAR-TO-DATE 1987	1986	PERCENT CHANGE
TOTAL RVs	31,910	-13.0	369,290	348,680	5.9
Travel Trailers:					
Conventional	4,660	-11.1	54,400	50,740	7.2
Park Models	510	-19.5	6,210	7,150	-13.1
Fifth-wheels	2,580	9.4	24,560	20,930	17.3
Folding Camping Trailers	3,110	-17.3	37,500	33,190	13.0
Truck Campers	960	-7.7	9,470	6,820	38.9
Motorhomes:					
Class A	3,640	-10.9	37,660	30,260	24.5
Class B Van Campers	570	-37.7	7,070	5,690	24.3
Class C:					
-Mini	1,790	-3.6	18,920	18,130	4.3
-Low Profile	210	-13.9	2,290	3,330	-31.1
-Micro-mini	240	60.4	3,250	4,220	-22.8
Multi-use Van Conversions	13,660	-16.8	167,950	168,230	-0.2

Detail may not add to total because of rounding

Figure 2

GRAPHICS: CUSTOM COLOR VISUALS